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Place of Interview: Dallas, Texas

Interviewer: David Minor

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Approved: 
(Signature)

Date: 11/21/80

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Oral History Collection

Harry E. Ellis

Interviewer: David Minor

Place of Interview: Dallas, Texas

Date: November 21, 1980

Mr. Minor: This is David Minor interviewing Mr. Harry E. Ellis for the North Texas State University Oral History Collection. The interview is taking place on November 21, 1980, in Dallas. I am interviewing Mr. Ellis in order to obtain his recollections concerning the origins and growth of the Dr Pepper company.

I would like to begin by asking you if you could tell me about the origin and early growth of the company.

Mr. Ellis: Dr Pepper started out in Waco, Texas, in 1885. It was originated by a young man by the name of Charles Cortes Alderton, who was an Englishman. Young Alderton was a pharmacist, born in Brooklyn and grew up there. Then because of his English background--his parents had come from England--he returned to England to receive his formal education. He attended a university in Suffolk, I believe it was, and then following that returned to the States and went to the University of Texas Medical School in Galveston, where he received a doctor's degree. But he elected to work as a

pharmacist rather than as a doctor. He had gone to Waco to work in a drugstore there, owned by a man by the name of Wade Morrison.

Wade Morrison came from Virginia. He was living and working in a drugstore in Rural Retreat, Virginia, which was owned by a doctor by the name of Pepper. The doctor had an attractive teenage daughter. Young Morrison and the doctor's young daughter apparently got interested in each other in a romantic way. The doctor, fearing they both were pretty young, in fact too young, thought it was a premature romance and discouraged it.

So Young Morrison came to Texas. He first went to Austin and went to work in the Tobin drugstores in Austin. These stores were owned by two doctors--brothers. Then shortly afterwards they opened a drugstore in Roundrock. They sent young Morrison to Roundrock to work in the drugstore they opened there.

In fact, he was working in Roundrock when Sam Bass, the notorious Oklahoma outlaw, attempted to hold up the bank there and was ambushed and shot, and most of his gang were killed. Of course, Bass also later died. Young Morrison was working there and witnessed the episode.

But shortly following this, he went to Waco, where he went to work in this old corner drugstore which was owned by a man by the name of John W. Castles. Shortly afterwards

he became a partner, and the drugstore became known as Castles and Morrison. Then not long after that, he bought Castles out completely and became the sole owner and became known as Morrison's Old Corner Drugstore.

This was where young Alderton was working at the time he originated Dr Pepper. Alderton had noticed that people who came in each day to order a soft drink or something at the soda fountain were always uncertain about what they wanted. They never seemed to be sure whether they wanted this or that, and he noticed that the average flavor at the fountain was something that would tire the taste, and they wouldn't stay with it.

So he concocted a blend of fruit flavors from the fountain and came up with a drink . . . he was trying to come up with one that he thought would be different, that maybe people would like, so he did. He began to offer it to these customers, and they liked it. He offered it to Mr. Morrison, the store owner, and he liked it.

The thing began to catch on, and people began to come in and ask for it. They asked Alderton and Morrison what they were going to name it. They had no name for it, but Morrison in the meantime had continually spoken of this young Pepper girl back in Virginia, the daughter of Doctor Pepper. Apparently, he was still somewhat infatuated with her. Customers had noticed and had listened to him

about this. One of them, maybe jokingly, suggested, "Why don't you name it after the old Dr. Pepper in Virginia? Maybe that will cause him to soften a bit, and you can pursue the romance with his daughter." Well, whatever happened, somehow or other, that is the way the drink was named. They did name it Dr Pepper, but Morrison did not pursue the romance. He never did return to Virginia. In fact, he married a girl he met in Roundrock. Stories have been circulated and told and written that the young man who invented the drink went back to Virginia and married the doctor's daughter. In the first place, Morrison didn't invent it; it was Alderton. Morrison did name it, but he did not originate it. The facts are that Alderton originated the drink, Morrison named it, and then it began to become very popular in Waco.

It got so popular that other drugstores in the area began to want to serve it, so they got Morrison and Alderton to prepare some of the syrups for them, which they bought. It just began to become such a big item for Morrison and the old corner drugstore that he couldn't produce enough, so he went to a young man who had opened a small bottling company in Waco by the name of R.S. Lazenby. His company was known as the Circle A Ginger Ale Company. He went to Lazenby to discuss the possibilities of him making this syrup in his plant. They came to an

arrangement, and Lazenby did work out a plan whereby Lazenby would produce the syrup. And then Lazenby, who was a beverage chemist, became interested in the drink. He and Morrison discussed the possibilities of bottling it.

Out of that grew an arrangement between the two, whereby Lazenby, the beverage chemist, would do some research on it and some refinement so that it would be suitable for bottling. It had to have whatever it needed to make it to have "shelf life," we call it, so it wouldn't spoil when it was bottled. Lazenby really refined the drink, perfected it, and began bottling it in his little bottling plant.

Then later, it continued to grow and become very popular. It spread out beyond Waco into other cities in Texas. Then Morrison and Lazenby formed another company called the Artesian Manufacturing and Bottling Works. This was the company that later became the Dr Pepper Company. But basically that is the story of the origin of the drink and the names of the principals involved.

Minor: How long did Morrison and Lazenby stay partners?

Ellis: Morrison and Lazenby stayed partners up until probably 1911 or 1912. Then Morrison withdrew, and Lazenby grasped the drink. He became sole owner of it and developed the company and began to expand it. He actually expanded

the distribution as far as St. Louis. In 1911 and 1912, there were a number of bottling companies in Oklahoma that were bottling it. Then it began to spread throughout Texas and into Arkansas and surrounding areas, but not on any great or large scale.

Minor: What was the reason for Morrison finally withdrawing?

Ellis: Morrison became interested in the wholesale drug business. He finally sold the old corner drugstore and opened up a wholesale drug business. He saw no great future for Dr Pepper. In fact, it was a struggling product. It was such an original drink that it required a great bit of sampling and tasting to acquire the flavor. But once you did acquire that flavor, that taste rather, you never did tire of it.

That's probably one of the greatest aspects of the product. You can drink it day in and day out, year in and year out, and you don't burn out on it. The same thing is true of the colas, but you can't do that with an ordinary fruit-flavored drink. You can drink a grape or an orange drink one a day for thirty days, and you won't be able to look at one for six months. But Dr. Pepper and the colas, as well, are very fortunate in being in a category of products whereby you can consume them daily without ever losing the taste or the desire. In fact, it grows on you, and you will drink it regularly.

We used to say, when we were trying to introduce it, that if you could get people to drink three a day for three days, we had them hooked. They would like it. A lot of times people who were confirmed cola drinkers . . . we had a hard time getting them to drink Dr Pepper, but once we could get them to drink Dr Pepper for a short period of time . . . we'd say, "You drink Dr Pepper, three a day for three days, and then go on back to your cola." They'd come back and tell us, "It seems like the cola flavor has changed. It's different." This simply points up that our taste buds are very sensitive. They're very subject to change. Yet a good enjoyable taste is something you don't tire of. You can enjoy it consistently over a long period of time.

Minor: What was the reason for changing the headquarters from Waco to Dallas?

Ellis: Dallas offered greater possibilities for growth. It was a larger city. The product needed to become more of a . . . it was becoming a regional drink, and Dallas had a greater marketing possibility because of distribution and transportation. Of course, there was a psychological reason, too, maybe, that made it more important to be based in Dallas than maybe in a smaller city.

Minor: Just because Dallas represented a metropolitan area for them?

Ellis: That's right. And it was a very rapid and growing metropolis,

and the Dr Pepper managers saw the potential for the drink and felt it would be to its advantage to be based in Dallas.

Minor: I think you mentioned the other day that they had financial problems in 1923?

Ellis: Yes. I'd like to explain somewhat how these came about. In the earlier days, back in the early 1900's up to, oh, 1915 or 1920, Mr. Lazenby was really an outstanding beverage man, but he was not necessarily a good entrepreneur. For example, when they'd get a substantial amount of funds in the bank, they'd declare a healthy dividend and draw all the surplus out, and this made it impossible to plow back anything for growth. So that was one of the handicaps. One year the company was capitalized for \$110,000, and that year they declared a dividend of \$50,000 because they were able to bank that much surplus money. What would have been so much more significant is if they had used that money for development, expansion, advertising, and growth.

But that was not only one of the problems that Mr. Lazenby, I think, brought on. He was a very generous man in some ways, very patriotic. During World War I, we were caught in a dire situation down there in Waco, and he donated a lot of product, free product, for military and that type of use. Then one year they had a big flood in Waco, and he donated several thousand dollars worth

of bottled water to the military base there. It was a great thing for him to do, but he really couldn't afford that kind of support. He just didn't have that kind of resources to be able to do that. Yet, these things like this were great, and he won a lot of public favor for doing it, but it was very expensive, very costly, to his business. At Fort Hood, I believe it was, he donated thousands of bottles of what he called aqualithia. This was long before the bottled water market became such a big thing as it is today. He was bottling water down in Waco, artesian water, and selling it. It was called aqualithia, and it was a fine product.

Minor: Did the company come close to bankruptcy in 1923 or . . .

Ellis: It did go bankrupt, that's right, because it failed to plow back enough financial resources to sustain it when it ran into these difficult times. Of course, it wasn't the fault of the product. It was just the fault of bad management.

Fortunately, it was not the tragic, total bankruptcy in a way because there were several people who had come to realize the tremendous potential the drink had. There was not any problem for Lazenby, and the people who acquired it interested new capital, Some of this capital, of course, was out of Houston. They reorganized and reformed the company and chartered it under the laws of the State of

Colorado. In fact, the general offices and headquarters of the company were based in Denver at one time, but not the operating base. It was just the financial base.

Minor: I don't think you mentioned when that move from Waco to Dallas occurred, as far as the headquarters are concerned.

Ellis: In 1922, just before the bankruptcy.

Minor: And you joined the company in 1931.

Ellis: That's right.

Minor: How did you come to be employed by Dr Pepper?

Ellis: Well, of course, it was during the Depression, and jobs were non-existent. You couldn't find a job. There just weren't any available. I was at the time taking what were considered temporary jobs because I needed work. I needed to survive, and so I was working at whatever came along.

I had contacted an employment agency, and they had an opening, permanent opening, at Dr. Pepper. It was just a general clerical-type job in the company, but I was glad to get it, and I was competing with forty-two applicants for the job. It was narrowed down to myself and one other fellow, so I just pursued it a little more aggressively and convinced the people I was interviewing that I really wanted the job, that I felt that Dr Pepper was a good product, had a great future, and I saw it as a great opportunity. So I convinced them I was the one they

should have, so they did.

I started out in accounting, but I didn't stay there long. Accounting was not my background. I had majored in journalism and in literature and that sort of field and subject. I soon got into communications job with the company. I was actually working . . . this was in the marketing and sales end of the business. I started out in that area actually in sales. I spent three or four years in sales, which was a very fortunate thing for me because in this experience I learned the basic marketing problems of the company and the product. This enabled me to write a lot more effectively in the work I was going to do later.

Then I went into communications . . . actually established the communications department. This started by my writing sales letters and sales bulletins and even sales training manuals and all that sort of thing. That evolved into a full-scale publications department and included the company magazine, which I started publishing in 1939.

This was really a great advantage for me later in the work I would be doing because in doing this magazine unknowingly I was actually chronicling the history of the company year by year because I was writing about the things that were taking place on a monthly basis and putting these on record in a chronological order. Later, this

background source of information turned out to be a tremendous asset to me in eventually doing the history of the company.

Minor: You mentioned that you majored in journalism and literature before you worked here. Where did you go to school?

Ellis: University of Missouri. My first journalism job was with the St. Louis Post-Dispatch in St. Louis. But I came to Texas in 1929, and that was the beginning of the Depression, so I had to struggle for a year or two until I was finally able to come with the Dr Pepper company.

Minor: What effect did the Depression have on the company's growth?

Ellis: It held it down, of course, like it did a lot of others because people couldn't afford soft drinks, and yet Dr Pepper seemed to be able to do very well. I was always impressed by the fact that people always seemed to be able to find a nickel for a soft drink. I think the drink and the product and even soft drinks in general are pretty good depression-proof products because . . . at least they were. Now in the future, the way its developed now with the inflation and the tremendous increased cost of producing soft drinks, I don't know that they can continue to be that inflation-proof. When they were low in price, a nickel a drink, people were always able to enjoy them, and it wasn't that much of a problem. I don't know that it would be in the future.

Minor: In 1933, I believe that Mr. Lazenby's son-in-law took over.

Ellis: No, Mr. O'Hara, who was Mr. Lazenby's son-in-law, actually got into the business in the 1920's. He was the one that was largely responsible for moving the business to Dallas.

Minor: Oh, I see.

Ellis: He was a very fine businessman and an entrepreneur. He is the one that really is responsible and deserves credit for launching the company as it is today and founding what is today the Dr Pepper Company. He was the catalyst, I guess, in founding this company.

Minor: What was his business philosophy?

Ellis: Mr. O'Hara actually came from Duryea, Pennsylvania. He was an engineer and was in the service and based in Fort Hood near Waco during World War I, when he met Mr. Lazenby's daughter in Waco. They fell in love. Mr. O'Hara, though, was shipped off to Germany and fought in the war. He emerged from the war as a major and had a very illustrative military record. When the war was over, he returned to Waco and married Mr. Lazenby's daughter, and that's how he got into the business. And then he began to take over the management and handle the . . . Mr. Lazenby then sort of turned that over to him, and he confined his work to production, which was what he liked to do and was good at. And so it was a pretty good combination.

Mr. O'Hara was the man who was responsible for building

the company, expanding it. His philosophy was to expand the company on a contiguous basis, that is, the distribution of the product. It was not a bad philosophy for Dr Pepper at that time because it was a new product, and people in other areas of the country didn't know about it or what it was.

In fact, its name was a great handicap to it in the northern and eastern markets where it was new because they associated the name, somehow or other, as being a medicine or as a tonic.

Of course, you're not aware of it maybe, but all soft drinks in the early days were regarded as tonics or tonic water. When someone said, "Let's go get a tonic, what they were talking about was going to the fountain and getting a soft drink. Dr Pepper sort of fit that idea much more because of its name. We didn't help it too much when we came out in the early 1920's with an old advertising character in the form of an old doctor. We discovered later on, in the later 1930's, that when we went into a new market that this old doctor character further impressed people with the fact that they thought it was a tonic. So we finally abandoned him. We didn't abandon the name because it was too firmly entrenched. But we had to convince people that it was not a tonic but just a good carbonated soft drink.

Minor: How did you do that?

Ellis: Well, I'll tell you, the thing that's done the most for Dr Pepper has been sampling. People would ask, "What is Dr Pepper?" You can talk until your blue in the face, and you can't tell them what it is. The only way they can find out what it is is to drink it or taste a sample of it. And we discovered that, and sampling was a major area of our marketing program ever since the late 1920's and early 1930's. We discovered that that was the best advertisement we had of the drink. So we centered a great degree of our effort and advertising dollars on our sampling program. We still do a lot of sampling. People still ask, if they've never tasted it, "What is Dr Pepper? What's it taste like?"

The only answer we can give is, it tastes like Dr Pepper. The same question could be asked, "What does coffee taste like?" or "What does milk taste like?" There's nothing you can compare it with, see. So you simply say it tastes like coffee, or it tastes like milk. But this is what makes Dr Pepper unique in the soft drink business. It doesn't taste like a grape, a strawberry, or an orange; it's a unique distinctive flavor of its own. While it was a handicap in the beginning, once these people had acquired the taste for it, we have a very excellent record of being able to retain these people as long-standing customers.

Minor: What was the origins of the advertising campaign that had

the slogan "10, 2 and 4?"

Ellis: We found out that we had to be different, even in our advertising. During World War II, our country was caught in a very serious situation military-wise. We were short-handed of military equipment and ammunition and everything. So the national effort was a big, strong effort to produce more military equipment--ammunition, materials, fighting equipment.

Dynamite is made from sugar, and so the War Department issued an order that only essential products could be eligible to receive a sugar quota. They cut off soft drinks and other, what they considered, unessential products from any sugar quota. This meant the bottling industry was probably going to have to close up shop because they couldn't get enough sugar to put out enough product to survive.

Mr. O'Hara, having that military background and being very patriotic, knew that we had thousands of bottle vendors in war production plants where they were being pushed around the clock to produce more and more and more ammunition and war materials. So we knew that these people in these plants doing this were being pushed to all limits to produce more of these materials. We had all these vendors in there, and these people were taking these work breaks to renew their energy, you know. Coffee just won't do it

exactly, but we knew that soft drinks did contain this energy value.

But we didn't have any evidence, so Mr. O'Hara went to Columbia University in New York and got Dr. Eddy, who was a very outstanding researcher at the university, to do research on the average human being to determine what periods during the day the average person's energy is at the lowest point. Dr. Eddy came up with the hours of 10:30, 2:30, and 4:30.

Mr. O'Hara took this information, documented it, brought it back, and put it into documented form. He took that to the War Rationing Board in Washington, and he showed them that these people working in these plants needed soft drinks as an energy lift. They were convinced and rescinded the order and granted a sugar quota to soft drinks, but it was only for war production use. In other words only 10 percent would be allowed for civilians and 90 percent would be channeled where people were needing this energy lift to produce more and be able to do a better job. So it was actually his evidence that enabled the order to be changed that really saved the soft drink industry.

But, also, soft drink bottling companies were caught up in this war effort, but they, of course, could only produce only so much, and 90 percent of this went to war

plants. What they did, many of them . . . they were also losing all of their people to the military. So the only way they could retain any kind of a work force was that they converted--many of them--their little bottling plants into little war production plants. They would bottle half a day, and in the afternoon their people would convert over and produce some little type of a piece of equipment that went on a bomber or something of that nature. This was really a struggle for the soft drink industry.

But it was, in another way, for Dr Pepper a blessing in disguise because they would buy any kind of a soft drink, just so as it was cold, wet, and sweet. So Dr Pepper actually made a lot of progress during the war. We could sell all the production we could produce. In fact, we had to ration it. Of course, you know the story about rationing during the war. It was a very sticky business. A lot of marketing people ran into problems because they didn't treat their customers fairly. When the war was over and the rationing was off, they had to overcome the unfair treatment that they might of rendered to some of their customers if they didn't give them what they were entitled to. The average dealer was entitled to a percentage of what he had bought before the rationing went into effect. He wanted that because that was the only way he could get any kind of a quota for sale in his store.

Minor: I know for a period of time, weren't the bottles actually marked "10, 2 and 4?"

Ellis: Oh, yes. For some twenty years our bottles and our trademark all carried the "Drink a Bite to Eat at 10, 2 and 4" slogan. Dr Pepper's trademark, ever since it was introduced, has had an appendage to it. By that I mean that Dr Pepper was some kind of a tag line, you might call it. The first one was "Dr Pepper, King of Beverages." If you'll go back and look at the old trademarks, underneath the logo itself, the trademark itself, was sort of a tail effect, and on that tail was these appendages, like, "Drink a Bite to Eat at 10, 2 and 4," or "Good for Life."

At another point we hired another agency, and they came in and changed it to "Three Good Times to Enjoy Life More." It's been a significant thing for Dr Pepper. Ever since it's been in existence, it has had this appendage to its name.

Minor: I know that Mr. Clements joined the company, the parent company, during the war. But I read--I believe it was Fortune magazine--that in 1949 he quit for a short period of time.

Ellis: Well, this is easily explained. There was a bottler in Roanoke, Virginia, who was really tremendous. He was one of the outstanding bottlers in the country. He, of course, knew Mr. Clements and was looking for a manager, so he

talked Mr. Clements into coming up there. He went up there for a short time, but Mr. Clements, I think, realized and felt that his future was still here, and so he didn't stay too long. It was only a matter of . . . Mr. Clements felt he would be able to achieve more by sticking with the parent company, and he did. He came back.

The bottler in Roanoke set many examples in our industry for outstanding marketing programs. He's the one that pioneered the sampling of three a day. He told his salesmen, "Give your customers, your consumers, a reason for drinking Dr Pepper. Give them a reason why, and they'll buy it and drink it." And he gave them a reason--that it was enjoyable; it was an unusual product. It's not made from any synthetic ingredients at all; it has natural ingredients in it. This explains another thing. To me it's been significant because it explains why you can heat it. Hot Dr Pepper is a very excellent drink. The reason you can heat it is because it is not an imitation. You heat an ordinary fruit-flavored drink, and it loses its identity. In fact, there's no other soft drink on the market that has been able to be successful as a hot beverage.

Minor: I know following his return to the company in the late 1950's, he became vice-president in charge of marketing, and I believe it was in 1959 that you actually had a Coca-Cola bottler in New York carry Dr Pepper.

Ellis: Well, actually, believe it or not, we had Coca-Cola bottlers handling Dr Pepper in Oklahoma in 1914.

Minor: Oh, is that right?

Ellis: That's right. The Coca-Cola bottling company in New York was not our first Coca-Cola plant. We have any number of . . . we have over a hundred Coca-Cola bottling companies around the country who are also very big Dr Pepper bottlers. Dr Pepper and Coca-Cola are their main items, and some of them do as much volume in Dr Pepper as they do in Coke. It's a substantial part of their business.

Minor: Wasn't it the importance of cracking the New York market, though, and that's why getting the Coca-Cola bottler in New York to carry Dr Pepper was so important to the company?

Ellis: It was important, but it was important for us in New York. That's the reason it was important, the New York market being what it is. You'd have to have someone with a tremendous amount of resources and manpower and capability to put a drink like Dr Pepper over in New York. If you didn't have someone of that capability, you'd have a problem.

We felt very fortunate to line up with the Coca-Cola bottling company of New York because they're probably the largest soft drink bottling company in the world. So, naturally, we felt like our policy . . . and Mr. Clements, by the way, his philosophy was--he instigated this--to go with the strongest bottler in the market. One of his

objectives was to build the strongest franchise bottler organization in the business. He did it. That was one of his main goals, and he did a magnificent job.

I think Mr. Clements is probably . . . with all due respect to all the other people that have put a lot into this project, Mr. Clements is really entitled to more credit because of the tremendous selling job he's done with this product. He's the greatest Dr Pepper salesman we've ever had.

Minor: When he began this expansion of the company in the 1950's and early 1960's, wasn't there a question in the early 1960's whether or not Dr Pepper was a cola drink, and didn't it go to court, actually?

Ellis: That's right. The Coca-Cola Company challenged their bottlers on taking on Dr Pepper, that they couldn't handle it because it was a cola. One of their bottlers decided to take it to court to test it because he really wanted it. It was their bottler in Tucumcari, New Mexico. So it did wind up in court, and Judge Sarah T. Hughes in Dallas, in the Fifty-third District Court, was the judge that made the final ruling that it was not a cola; and, therefore, the Coca Cola bottler, who was an independent businessman and franchise owner, was free to take on Dr Pepper because it is not an infringement on his cola drink.

When that judgement was made, it opened the gate, and

the Coca-Cola bottlers all over the country have taken Dr Pepper, and many of them have acquired it at great cost. Some of them have spent a tremendous amount of money to acquire the franchise for Dr Pepper for their local market.

Minor: I know that after the court decision--I believe it was the decade from 1962 to 1972--the revenue generated and the dividends returned was something like over 42 percent. I believe Fortune said it was the third best company for that decade in their 500. Why that dramatic growth in that period?

Ellis: Dr Pepper was beginning to really just to come into its own. Let me say this: I don't think there's anything that's going to keep this product from being a tremendous success because, in spite of all the handicaps and roadblocks that it has had it's had a lot of them. I don't believe that not too many people really understand and realize the nature of this product. Its an unusual drink. We say it's unique and different. We do that to appeal to people to try it because it is a different flavor, but it's unique and different for other reasons. It has survived all manner of abuses and neglect. I don't see that there's any way that it's ever going to be contained. I think eventually it will be, if not number one, right along with the number one. It's number three now.

Minor: During that period--that ten-year period--is there any one or two items that stand out as reasons for that dramatic

growth? A marketing philosophy that was developed?

Ellis: As I mentioned a moment ago, one of the biggest changes that came about is when we began to franchise stronger bottlers. We had before unfortunately lined up with bottlers who really weren't able or capable of putting this drink over. Well, when we changed that, we did an about face. In fact, we decided we would not go with a bottler in the market and grant our franchise to him unless he was absolutely . . . normally, we wanted either the number one or number two bottler. We wouldn't grant the franchise to a bottler if he wasn't strong enough. That was probably one of the important changes in our marketing strategy because these people then began to do the job and began to put the drink on the market.

You see, the key . . . let me explain something. The key to the success of Dr Pepper or, in fact, any soft drink, but particularly Dr Pepper, is availability. You can advertise it; you can promote it; you can do all the other things. But if it is not in that outlet and people can't buy it, you haven't got a chance.

Now there's another thing that I like to always explain, and I think it is very significant in our business. A retail sales route, which is operated by our company . . . each plant generates a number of routes to cover the market. Every route they operate has a certain identity and likeness

that is similar. You can take a route in Ohio and a route in Texas--a sales route--and it will comprise of a salesman, a truck with a load of product, something like 150 to 200 dealers, and the conditions are all the same. The same thing that will work on the route in Texas will work in Ohio. All you have to do is to establish some degree of uniformity of what is happening on those routes--getting each man on every route, every route salesman, to do the same things and to do it consistently, get that product in the store and keep it in there, and cultivate a good dealer relationship. You could do a certain amount of volume with nothing but availability. This has been proved by other products.

Minor: Since the franchise system is so important to the soft drink industry, I know just a few years ago in Los Angeles there was a question whether or not the franchise system as it was presented there constituted a monopoly.

Ellis: The FCC, as you know, in the last five years has been seriously questioning that very fact. But all the evidence--every bit of evidence--that anyone can find proves that there is no monopoly under the franchise system, not in the soft drink business. The competition is tremendously keen. In fact, I think the franchise system even stimulates competition because each bottler has the same opportunities. He has the market; he has advertising; he has to get out and make

his product available. He has to do all the promotion.

The consumer has the complete freedom of choice to choose whatever he wants. There's no way it can be considered a monopoly. I don't think our industry has any problem holding to that premise because it's too much evidence that the competition . . . if you don't believe it, just get into the business, and you will find out how much competition you got. There is no monopoly when you've got the kind of competition we have.

Minor: Has a decision been rendered in that case at all?

Ellis: Yes, the decision has been rendered, but it's still under . . . study, I believe, by the FCC. I don't think they've completely divorced themselves from the study.

Minor: Was the decision in favor of the industry?

Ellis: Oh, yes, it was in favor of the soft drink industry. It had to be. Actually, it would have been a tremendous blow to this industry because it had been built on that system. You see, you've got to have capital, you've got to have management, and you've got to have organized companies that are capable financially and personnel-wise to be able to compete. It would have put a lot of small companies out of business to abandon the franchise system. It is not conflicted, as far as we can tell from our history and experience, in any way with the free enterprise system. In fact, it complements it.

Minor: The company now has expanded throughout all fifty states, and then the decision was made to go overseas. What was the first expansion--in what country?

Ellis: Of course, we went into Canada first. Since that time we . . . well, let me explain another thing about our overseas business. We do a tremendous volume of business through the Overseas Service Corporation. United States military personnel in all bases, at all bases around the world, for years have had Dr Pepper. Strangely enough, some of the product has gotten out into the local areas, and people have had an opportunity to taste it and discover a little bit about it. We felt that, within the last four or five years, we were ready to begin to enter some of those markets, which we have done. We went into Malta, which really was one of the most perfect bottling operations we have ever been involved in. They do the job. They do everything right, everything first class. They've done a remarkable job with Dr Pepper. Of course, we went into Japan. Now we're in Ireland. Of course, we were in Puerto Rico a long time ago. We're going to Saudi Arabia and a lot of those . . . Cairo, Egypt, we're going in there the coming year. Our foreign market is really beginning to spread.

Minor: Was there any reluctance on the part of the shareholders thinking maybe the company was attempting to do too much

too fast as far as expansion?

Ellis: Not that we know of. In fact, it might be just the other way. They might have thought we were a little bit lax in spreading a little sooner.

One of the things our company's philosophies has always been is to generate enough revenue to paddle your own canoe without having to go into a lot of debt to expand and grow. We've done this. Maybe it's not typical, but it's been one of our policies. We don't think it's a bad policy.

I remember one time in New York when I was there with a financial vice-president and meeting with securities analysts. One of them asked the question. He noted that we had a few million dollars laying in reserve, so he posed the question to us: "What about all this money you've got laying here idle?" He said, "What goes with this?" We asked him if that was that bad, and, of course, he had to agree that it wasn't bad but wondered if it was good business. But when he learned of what our policies are about using this to develop and expand our business, then he felt it wasn't a bad policy.

Everybody has to deal their own cards, of course, and know how they want to operate. We don't necessarily follow any standard policy and haven't done that in building our company. We felt that like we could use our own ingenuity,

which is what we've done a lot.

Minor: The company's future . . . Mr. Clements is now retired.

Ellis: No, he isn't.

Minor: Oh, I thought he retired.

Ellis: No, no. He is chairman of the board and chief executive officer. He is still the chief executive officer of the company.

Minor: But he did retire from the presidency?

Ellis: Well, he did relinquish the presidency but retained the chief executive post and serves as chairman. He is not retired under any circumstances. In fact, he is very much a part of the management team. He's controlling a lot of the policy and is still part of the policy-making group in the company. He heads it up, in fact.

Minor: What do you see for the future of the company?

Ellis: I see it as a tremendous challenge. I don't think the product has even scratched the surface. I believe we are victims of our shortcomings in not being able to put across and do some of the great things we know what to do and know how to do and do it more effectively. We need to establish greater availability and continue to build market share, and I don't think there is any question that we can do that. I think the product has proven that it is unusual and unique and still has great growing power and potential. I told many young men in this company that

if I were in their position and young as they are, you couldn't run me away from this company. There's opportunity for everybody who sees it and is willing to work for it and apply themselves, and I really believe that.

Minor: Thank you.